

RENTAL - RESIDENTIAL REHABILITATION  
ASSISTANCE PROGRAM (RRAP)  
SASKATCHEWAN

This Program will be delivered and administered by the  
Saskatchewan Housing Corporation (SHC).

1. OBJECTIVE

To assist households in core housing need occupying  
existing substandard rental housing by providing assist-  
ance to the owners to repair, rehabilitate or improve the  
dwellings to a minimum level of health and safety.

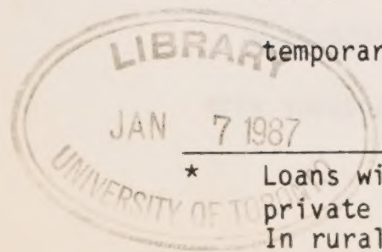
2. PROGRAM DESCRIPTION

Rental RRAP provides financial assistance to entre-  
preneurs who own rental projects with pre-rehabilitation  
rents at or below average market rents, to repair, rehab-  
ilitate or improve existing substandard housing, which  
is in need of major repair. Assistance is for eligible  
repairs to bring the dwelling up to minimum health and  
safety standards. Assistance is provided in the form of  
a forgivable loan, the amount of which is determined by  
the level of the post-rehabilitation rents and the cost  
of repairs.\* Forgiveness is earned over a period of  
fifteen years. Landlords must agree to enter into a  
rental agreement which will establish maximum acceptable  
rents. Allowances will be available for tenants who are  
temporarily displaced.

\* Loans will be obtained from approved lenders or other  
private sources for any additional financing required.  
In rural areas, direct loans may be available on a  
residual basis.



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The assistance is available in urban and rural areas on a universal basis throughout Saskatchewan. The nature and quality of the repair work is expected to ensure a further useful life of the dwelling of 15 years.

Eligible program costs will be shared on a 75/25 basis between CMHC and SHC.

#### Enabling Federal Legislation

National Housing Act:

- . Loans - Section 34.1;
- . Loan Forgiveness - Section 34.11;
- . Protection of Security - Section 55.

#### Enabling Provincial Legislation

Saskatchewan Housing Corporation Act

### 3. ELIGIBILITY CRITERIA

#### 3.1 Delivery Agents

Housing Agencies and other groups or individuals are eligible to act as delivery agents. Criteria for the qualification of delivery agents will include such elements as technical and financial expertise and will be determined by both CMHC and Saskatchewan. Agents will be paid a fee in relation to functions performed. The existing delivery agent network will be retained for 1986. Additional eligible agents required in 1986 and future years will be determined by SHC in accordance with jointly agreed criteria.



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### 3.2 Clients

Eligible applicants will be private entrepreneurs who own rental accommodation with pre-rehabilitation rents at or below average market rents. Owners of housing projects receiving other ongoing federal or provincial social housing subsidies are not eligible. Rental RRAP will be available on a universal basis to all eligible owners throughout Saskatchewan.

### 3.3 Property

To be eligible properties must be substandard or deficient and require major repair in one of the following areas: structural; electrical; plumbing; heating; and fire safety.

No loan may be made for rehabilitation unless Saskatchewan or the local municipality or the authority having jurisdiction has adopted occupancy and building maintenance standards acceptable to CMHC.

Where the adoption of standards is not possible, Saskatchewan agrees to deliver the program in accordance with CMHC Standards for the Rehabilitation of Residential Buildings ("RRAP Standards") and is satisfied that occupancy and building maintenance in the case of the dwelling rehabilitated will conform to the RRAP Standards.

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For rooming houses and hostel accommodation, the property must contain in excess of three beds rented to occupants not related to the owner. Eligible beds will be determined in terms of minimum space standards as outlined in the Program Guidelines.

### 3.4 Repairs

Eligible repairs are those required to bring a dwelling up to a minimum level of health and safety as defined in the RRAP Standards.

### 3.5 Average Market Rent

The average market rents will reflect unit types, size and geographic location. Changes to the established average market rents will be recommended by the Planning and Monitoring Committee and will be approved by CMHC and SHC.

### 3.6 Earning of Loan Forgiveness

Adherence to the terms and conditions of the loan commitment and the rental agreement is a requirement for loan forgiveness, which will be earned in equal annual installments by the owner over fifteen years.

### 3.7 Conversion

Conversions of buildings from non-residential use, homeownership use, or other existing residential use, to a rental accommodation containing a different number



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of self-contained or hostel units will be permitted, although the cost of conversion itself is not an eligible cost.

4. ELIGIBLE PROJECT COSTS/ASSISTANCE

Eligible project costs include, but are not limited to, the cost of eligible repair, rehabilitation or improvement based on accepted contractors' bids plus legal fees, interest on repayable advances, building permits and the cost of drawings and specifications. The costs associated with conversion will not be an eligible project cost; only the cost of eligible repairs as defined in the RRAP standards will qualify for assistance.

The eligible project costs may be financed through a forgivable loan of up to \$17 000 per self-contained dwelling and up to \$8 500 per hostel bed. The maximum will depend on the total eligible costs and the post-rehabilitation rents. The maximum loan to be provided on a residual basis in rural areas is \$25 000 per self-contained unit.

The actual amount of loan forgiveness for a given project will depend on the relationship of the estimated post-rehabilitation rents to the average market rent. This relationship will be established by means of an

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Assistance Factor which will determine the amount of  
loan forgiveness available, described in the chart  
which follows:

Post-Rehabilitation Rents as % of Average Market Rents	Assistance Factor	Maximum Forgiveness (self-contained)
50% of market	1.00	\$ 17 000
60%	0.90	15 300
70%	0.80	13 600
80%	0.70	11 900
90%	0.60	10 200
100%	0.50	8 500
110%	0.30	5 100
120%	0.10	1 700
125%	0	0

Where the rents are 50% or more below the average market  
rent, the maximum assistance will be available. The loan  
forgiveness available will decrease as the rent levels  
increase, and will be zero for rents at 125% of market or  
above. The Assistance Factor will be continuous for each  
% in between. For example, where rents are 51% of  
average market rent, the Assistance Factor will decrease  
to 0.99.



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Calculation of Loan Forgiveness

Example Below Market Rents:

The assistance will be the result of applying the applicable Assistance Factor (AF) to the eligible costs.

Assistance = Repair Cost x AF.

This is illustrated in the example below:

Total Eligible Repair Costs = \$10 000

Average Market Rent = \$400

Post-RRAP Project Rent = \$300

Post-RRAP Rent is 75% of the Market Rent, therefore, the

Assistance Factor (AF) is 0.75

Maximum assistance available from the chart =  $0.75 \times$

$\$17\ 000 = \$12\ 750$  per dwelling unit.

Actual assistance for this example =  $\$10\ 000 \times 0.75 =$

$\$7\ 500$ .

Therefore the maximum loan forgiveness available is

$\$7\ 500$ .

Example Above Market Rent:

As previously stated, assistance will equal the respective assistance factor times the eligible costs.

This is illustrated in the example below:

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Total Eligible Repair Costs = \$10 000

Average Market Rent = \$400

Post-RRAP Project Rent = \$480

Post-RRAP Rent is 120% of the market rent, therefore, the  
Assistance Factor (AF) is 0.10

Maximum assistance available from the Chart =  $0.10 \times$   
\$17 000 = \$1 700 per dwelling unit.

Actual assistance for this example = Repair Cost  
( \$10 000 )  $\times$  Assistance Factor (0.10) = \$1 000

Therefore the maximum loan forgiveness available is  
\$1 000.

## 5. PROJECT SELECTION/DELIVERY PROCESS

### 5.1 Client Selection

Clients will be selected from private entrepreneurs  
owning accommodation in need of major repair with  
pre-RRAP rent levels at or below market.

SHC will ensure that funds to this program are allocated  
within the geographic areas specified in the Operating  
Agreement in accordance with the approved three-year plan  
attached as Schedule B of the Operating Agreement.



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## 5.2 Delivery Process

Delivery agents other than SHC will enter into an Agency Agreement with SHC. acceptable to both parties, which will stipulate the scope, terms, conditions, roles and responsibilities of the agent.

SHC will be responsible for training, provision of information and explaining program guidelines to delivery agents and will monitor the performance of agents. In addition, SHC is responsible for loan commitment, obtaining loan security, loan advancing and loan administration. SHC will also conduct periodic monitoring inspections of dwellings to ensure adherence to guidelines and standards.

The delivery agent will be responsible for the explanation of the program to potential applicants, the inspection of the property to establish eligible repairs, the job specification and cost estimates, financial analysis and loan interview, loan recommendation, progress and final inspections and such other responsibilities as stipulated in an agency agreement between SHC and the delivery agent.

## 6. COMMITMENT

SHC will approve loan commitments based on the recommendation of the delivery agent after reviewing the application package to ensure compliance with program guidelines. A loan commitment under Section 34.1 will

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be deemed to be made on the date the loan recommendation is approved by SHC. The interest rate will be established by SHC and CMHC and will be set in accordance with program guidelines. SHC will deliver to CMHC a notice of commitment on a form provided in program guidelines within five (5) working days after the commitment is made. Commitments will be cancelled if rehabilitation has not been started within six months of the date of the notice of commitment.

6.1 Commitment Notification/Publicity

All news releases or announcements pertaining to budget allocations or commitments to a project will be in accordance with the Operating Agreement and the Program Guidelines.

6.2 Loan Security

Where Saskatchewan is the Active Party and wishes to take the individual mortgage securities in its own name, a Trust Agreement shall be entered into between CMHC and SHC.

Security for both forgivable and repayable components will be by mortgage or such other security as is deemed adequate by CMHC. Loans of up to \$10 000 may be secured by a promissory note. A mortgage will be taken on the dwelling when the total loan or loans to any one owner exceed \$10 000.



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7. ADVANCING

Where a loan commitment has been made, SHC will ensure that the appropriate loan security has been obtained prior to any advances being made.

SHC will make advances based on progress inspections of work completed. Loan advances will be made against the forgiveness portion of the loan first and then against any repayable portion. Prior to a final advance being made, SHC will ensure that all repairs have been completed and comply with RRAP Standards.

8. PROJECT/PORTFOLIO ADMINISTRATION

Repayment of any repayable loan will be over an amortization period of up to 20 years, which shall not exceed the useful life of the dwelling unit.

SHC will be responsible for loan administration after the account has been fully advanced. This will involve earning of loan forgiveness, administration of rental agreements, rental increase reviews, sale of properties, collections of monthly payments, arrears action, postponement of mortgage security, default procedures, legal action and other requirements in accordance with the Program Guidelines.

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In the event that a mortgaged property is acquired under foreclosure, title shall be held by SHC "In Trust" in accordance with the Trust Agreement provisions referred to in 6.2 Loan Security.

#### 8.1 Rental Agreements and Disclosure

The landlord must be willing to enter into a 15-year rental agreement which will specify maximum rents. The rental agreements must be executed by SHC and CMHC. Landlords must agree to permit SHC to disclose to tenants information on the work to be done and any resulting increases in rents. Post-RRAP rent increases will be permitted only to reflect the carrying costs at market rates of the owners' contribution to eligible costs, as determined by the RRAP Standards, and eligible increases in operating expenses, such as taxes, ongoing maintenance, etc. The rental agreement will have a statement of intent concerning rental of the units to tenants of low income. It will also state that any existing tenant will be given the first option to reoccupy a unit in the project after rehabilitation has been completed. During the period of the rental agreement, rent increases above the allowed annual maximum must be approved by SHC and must be in conformance to any provincial rent control/review legislation.

#### 9. ELIGIBLE PROGRAM COSTS

The eligible annual costs of the program will be shared by CMHC and Saskatchewan on a 75/25 basis.



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9.1 Budgetary Costs

Budgetary costs include:

- . Loan Forgiveness - Upon advancing, that portion of a RRAP loan which is forgivable, as described in Section 4 Eligible Project Costs/Assistance.
- . Repayable loans which are deemed uncollectible and written off.
- . Acquisition costs not recovered on resale.
- . Agency Fees - Eligible charges for agency fees payable to a delivery agent for each loan commitment, as described in Appendix "4" to this Schedule. These will not be applicable where SHC is delivering the program directly.
- . Tenant Displacement - Per diem assistance of \$20 for each of the first two persons and up to \$10 for each additional person for a maximum of five days.
- . Financing Interest - Any financing interest payable on budgetary receipts and disbursements will be calculated at an interest rate acceptable to SHC and CMHC. Interest in such cases will be calculated on the net expenditures to the date of reimbursement.
- . Publicity Costs - The cost of eligible program and project publicity measures and materials as agreed upon by SHC and CMHC.

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- . Program Delivery and Administration Costs - Eligible annual costs of delivery and administration based on performance standards acceptable to CMHC and SHC.

## 9.2 Non-Budgetary Costs

Non-budgetary costs include:

- . Repayable and Forgivable RRAP Loans - That portion of a RRAP loan which is to be repaid, as described in Section 4, Eligible Project Costs/Assistance. This includes interest income, interest expense and administrative costs relating to repayable loans. Upon default, unearned loan forgiveness becomes repayable.
- . Eligible Interest - Interest on repayable advances accumulating up to the Interest Adjustment Date at the project's commitment rate of interest.
- . Acquisition of Property - The costs of property acquisition where acquired in order to protect the loan security.

## 10. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule, and specified in the program guidelines.



11. INFORMATION REQUIREMENTS

SHC will ensure that all information requirements outlined in Appendix "2" of this Schedule, and specified in program guidelines are provided to CMHC.

Commitment data will be provided no later than five (5) working days after a commitment is made. Updates to previously communicated commitment data will be transmitted in a similar fashion.

In matters pertaining to monitoring delivery agents, the Planning and Monitoring Committee will determine a sample inspection requirement which will permit the assessment of agents' compliance to program guidelines and their delivery performance. An approved sampling approach will also be used to examine the extent to which landlords comply with their rental agreement.

SHC and CMHC will have full access to the results of the above.

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SCHEDULE A-5 - APPENDIX "1"

DEFINITION OF ADJUSTED INCOME

NOTE: This Appendix is not applicable to Rental RRAP.



INFORMATION REQUIREMENTS: SUMMARY

Commitment Data:

- . this data is submitted by way of commitment forms after a commitment is made;
- . the commitment forms shall contain the following generic data elements:
  - property and client addresses;
  - average market rents;
  - project pre-RRAP rents;
  - project post-RRAP rents;
  - project description:
    - building type,
    - age of building,
    - number of units by type,
    - location codes;
  - type and cost of repairs;
  - financing of repair costs:
    - amount of loan and financing conditions,
    - loan forgiveness obtained;
  - project viability information;
  - delivery agency identifier;
  - agency fee information;
  - account identification information.
- . this information, or part of it, will be updated through a project's life cycle (eg.: loan increases, decreases or cancellations to the point of establishment of IAD and final cost).

Project Operating Data:

- . this data is to be provided once a year and contains the following generic data elements:
  - project rental schedule.

The financial reporting requirements for budgeting and claims can be grouped by the following categories:

- For the Residential Rehabilitation Assistance Program - Rental all budgeting, claims and reporting will be segregated into the following activities unless otherwise indicated:

### A. BUDGET PREPARATION

A three-year financial plan is developed on an annual basis as part of the joint planning process. It identifies planned commitment levels, expenditure levels, and cash flow patterns over the planning period which includes the budget year and the following two years. Commitment activity is planned on a calendar basis whereas expenditure activity is planned on a 31 March fiscal year basis. Cash flow is presented on both a calendar and fiscal year basis for five years. Commitment, expenditure and cash flow estimates for the year preceding the budget year and the two years following the budget year are presented for planning, information and monitoring purposes only.

Budget limits for the budget year are established in Schedule B to the Operating Agreement.

Three year plans will be established by activity for the following areas:

1. Commitments - Units
2. Commitments - Budgetary  
- Non-budgetary
3. Budgetary Expenditures
4. Cash Flow Forecast - Budgetary  
- Non-budgetary

## 1. Commitments - Units

Schedules of units committed and the associated repayable loans will be used to derive the forecasts of non-budgetary expenditures. Schedules of units committed and the associated forgivable loans will be used to derive forecasts of budgetary expenditures.

Data on characteristics of the proposed units (average unit repair costs, total repair costs of the units that will be amortized, projected interest rates, amortization terms, average forgiveness ratios and proposed interest adjustment dates ("phase-in rates") will be required to support the derivation of expenditures.



A. BUDGET PREPARATION (Cont'd)

2. Commitments - Budgetary

Commitments for forgivable loans will be expressed in terms of budgetary dollars required.

- Non-budgetary

Commitments for loans (including both repayable and forgivable components) will be expressed in terms of capital (non-budgetary) dollars required and will be supplemented by data of characteristics of proposed units as described under 1 (Commitments - Units). Where action will be taken to protect the RRAP security, commitments will be expressed in terms of Section 55 capital (non-budgetary) dollars required.

3. Budgetary Expenditures

For RRAP-Rental, budgetary expenditures will be displayed by type of expenditure (forgivable loans, loan losses, tenant displacement allowances, agency fees, delivery and administration costs, and financing interest) in accordance with program guidelines.

4. Cash Flow - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

- Non-budgetary

A summary of the expected quarterly cash flow of non-budgetary expenditures for RRAP loans will be provided to assist in cash management.

B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

C. COMMITMENTS

Commitments for loans will be reported in capital dollars and commitments for forgiveness will be reported in budgetary dollars.

Commitments will be submitted to CMHC on a mutually acceptable form by SHC within five (5) working days after making the commitment.

CMHC will acknowledge receipt of the notice of commitment.

D. CLAIMS

Claims for settlement between the parties will be submitted on a monthly basis within thirty days of the end of the month to which the transactions relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;



D. CLAIMS (Cont'd)

- b) the recording of the necessary accounting entries relating to budgetary and non-budgetary expenditures and asset balances; and
- c) the monitoring of the status of the portfolio through continuity schedules of units committed, units under subsidy and asset balances.

The entire financial activity of the program shall be reported by SHC, together with each party's proportionate share of expenditures.

Budgetary expenditures related to prior year accruals will be reported.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with program guidelines.

The monthly claim for the Residential Rehabilitation Assistance Program - Rental will include:

1. Continuity Schedule: Asset Balances and Units

This schedule is required to enable CMHC to monitor the status of the portfolio in terms of non-budgetary expenditures and units, both under advancing and under repayment. Sufficient information will be included on commitments, advances, interest, forgivable loans, arrears, and other asset related activity to ensure that advances plus interest are within commitment amount and to record financial activity not requiring cash settlement. A listing, by project, of loan amounts being transferred from under advancing to under repayment at IAD will be provided and will reconcile to the continuity schedule.

2. Expenditures

A report of actual expenditures and receipts or an estimate of actuals for the month is required to monitor the financial impacts of program activity and to inform CMHC of its share of net expenditures.

The financial data will be displayed by program activity and expenditure category consistent with budget requirements. Sufficient data will be provided to support the agency fees and delivery and administration costs claimed.

The report will also disclose the respective share of the expenditures of each party and the amounts for which reimbursement is being requested by SHC.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary and non-budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and program guidelines and will be used to determine the final amount payable to or recoverable from for the calendar year ending 31 December.

The audited statement and its supporting schedules will contain information at a level similar to that provided on the monthly claims.

Budgetary expenditures will be broken down by year of commitment in a supporting schedule.

Audited information will be submitted no later than 30 June.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment and asset balance information, by account, as at 31 December will be submitted for planning and monitoring purposes and to support information contained in CMHC's records.

Outstanding commitment information will be classified by year of commitment and show the total advances to date including interest, if any, for loans and training funds.

This information is required to reconcile the detailed asset and commitment files maintained by CMHC to those of SHC.

Unaudited information must be submitted to CMHC no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Budgetary expenditures which have been incurred but not disbursed within the fiscal year ending 31 March and which, in accordance with program guidelines, should be charged to the budget for that year, will be reported by SHC by 30 April. This information will be certified by a senior financial officer of SHC.



DELIVERY AGENT FEE SCHEDULE

Those agents not performing all of the delivery functions will be paid on a pro-rata basis for those functions actually performed. The table below shows the distribution of the fee, by function, as well as by category of loan.

Les agents qui n'accomplissent pas tout le travail d'application seront payés au pro-rata des tâches accomplies. Le tableau suivant donne la distribution du droit par étape et par catégorie de prêt.

REFERENCE FEE CHART/  
TABLEAU DES DROITS D'AGENCE

	Category I/Catégorie I *			Category II/ ** Catégorie II	
	A	B	C	A	B
	Up To/ Jusqu'à 100 km	101-250km	251 km +	Up to/ Jusqu'à 250 km	251 km +
- Administrative/Administration	\$ 230.00	\$ 260.00	\$ 285.00	\$ 315.00	\$ 350.00
. Each additional unit/ Chaque logement additionnel	15.00	15.00	15.00	15.00	15.00
. Each additional bed-unit/ Chaque lit additionnel	7.00	7.00	7.00	7.00	7.00
- Technical-Initial Inspection/ Technique-Inspection initiale	\$ 160.00	\$ 185.00	\$ 200.00	\$ 230.00	\$ 255.00
. Each additional unit/ Chaque logement additionnel	35.00	35.00	35.00	35.00	35.00
. Each additional bed-unit/ Chaque lit additionnel	17.50	17.50	17.50	17.50	17.50
- Technical-Progress Inspection/ Technique-Inspections d'étape	\$ 210.00	\$ 240.00	\$ 265.00	\$ 290.00	\$ 330.00
. Each additional unit/ Chaque logement additionnel	20.00	20.00	20.00	20.00	20.00
. Each additional bed-unit/ Chaque lit additionnel	10.50	10.50	10.50	10.50	10.50
- All Delivery Functions carried out/ Exécution de toutes les étapes d'application	\$ 600.00	\$ 685.00	\$ 750.00	\$ 835.00	\$ 935.00
. Each additional unit/ Chaque logement additionnel	70.00	70.00	70.00	70.00	70.00
. Each additional bed-unit/ Chaque lit additionnel	35.00	35.00	35.00	35.00	35.00

\* Unit is accessible by road/Le logement est accessible par route.

\*\* Unit is not accessible by road/Le logement n'est pas accessible par route.